

Message Text

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PAGE 01 CAIRO 19987 012244Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05
CEA-01 L-03 /082 W
-----024510 020729Z /15

R 012207Z DEC 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 2291
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L CAIRO 19987

E. O. 11652: GDS
TAGS: EFIN, EAID, EG
SUBJ: GODE ASSISTANCE FOR EGYPT - STATUS OF SECOND
- TRANCHE 1977 LOAN STILL UNCLEAR

REF: (A) CAIRO 18599, (B) CAIRO 18220, (C) CAIRO 16825

1. MINISTRY OF ECONOMY OFFICER CONCERNED WITH GODE
AFFAIRS TOLD US NOVEMBER 30 THAT STATUS OF SECOND TRANCHE
OF MARCH 1977 \$1,500 MILLION GODE LOAN TO EGYPT IS STILL
UNCLEAR. GODE SECGEN DUKHEIL, ACCORDING OUR SOURCE,
AGREED WITH DEPPRIMIN KAISOONI IN WASHINGTON DURING IMF
MEETINGS IN SEPTEMBER THAT THERE WAS NOT ENOUGH TIME LEFT
IN 1977 TO DEVELOP PROJECTS FOR REMAINING GODE FUNDS AND
THAT OUTSTANDING 650 MILLION DOLLARS COULD BE SPENT ON
INTERMEDIATE AND CAPITAL GOODS, RAW MATERIALS AND FOR
DEBT PAYMENTS TO KEEP EGYPT CURRENT UP TO END OF 1977.
DUKHEIL, HOWEVER, WAS UNABLE TO SELL THIS TO GODE BOARD
OF DIRECTORS. WHEN HE VISITED CAIRO IN EARLY NOVEMBER
HE WAS OBLIGED TO INFORM EGYPTIANS THAT THEY HAD TO USE
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PAGE 02 CAIRO 19987 012244Z

REMAINING LOAN BALANCE FOR PROJECT ASSISTANCE.

2. GOE, HOWEVER, "DID NOT ACCEPT" THIS DECISION,
ACCORDING MINECON OFFICIAL, AND SUBSEQUENTLY SENT GODE
LIST OF IMPORT COMMODITIES THEY WANTED FINANCED. TOTAL
FINANCING REQUESTED WAS 50 MILLION DOLLARS. THERE HAS
BEEN NO REPLY AS YET TO THIS REQUEST. LIKEWISE, THERE

HAS BEEN NO INDICATION, ACCORDING SOURCE, THAT GODE WILL MAKE MONIES AVAILABLE TO PAY OFF REMAINING 1977 OBLIGATIONS. GOE NEVERTHELESS "INSISTS" THAT SECOND TRANCHE BE PAID, AS AGREED, IN 1977.

3. COMMENT: FROM PRACTICAL POINT OF VIEW, GOE HARDLY IN POSITION "INSIST". LIKELIHOOD THAT GODE WILL COMPLETE TRANSFER OF FULL \$1,500 MILLION BY END OF 1977 APPEARS TO BE WANING. THERE IS STILL NO AGREEMENT ON TECHNICAL QUESTION OF HOW FUNDS SHOULD BE APPLIED. MOREOVER, GIVEN CURRENT SOMEWHAT COOL STATE OF EGYPTIAN/ SAUDI RELATIONS, IT SEEMS UNLIKELY THAT SAUDIS, AT LEAST ON WORKING LEVEL, WOULD BE WILLING TO GO OUT OF THEIR WAY TO ACCOMMODATE

EGYPTIAN POSITION. SEEMS TO US PROBLEM WHETHER REMAINING GODE FUNDS WILL BE TRANSFERRED PROBABLY RESOLVABLE ONLY BY HIGH LEVEL INTERVENTION. PRESIDENT, PRIME MINISTER AND CABINET, HOWEVER, ARE ALMOST TOTALLY PREOCCUPIED WITH PEACE MOVES. FURTHER, IN HIS PRESENT STATE OF MIND, SADAT WOULD PROBABLY NOT WISH APPEAR TO BE PLEADING WITH SAUDIS IN THIS MATTER. EILTS

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